

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03
H-01 PA-01 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00
XMB-02 OPIC-03 LAB-04 SIL-01 /109 W
-----119998 091532Z /53

R 081530Z JUN 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC 3413
INFO AMEMBASSY BRUSSELS
USMISSION GENEVA

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USEEC

USMTN ALSO FOR MISSION

E.O. 11652: N/A
TAGS: EFIM, ETRD, EIND, IT
SUBJ: COMMENT ON RECENT INCREASE IN STATE ENTERPRISE ENDOWMENT

REF: ROME 9971

1. AS REPORTED REFTEL, COUNCIL OF MINISTERS APPROVED ON MAY 26
DRAFT BILL PROVIDING LONG AWAITED INCREASES IN ENDOWMENT
FUNDS OF THE THREE MAJOR STATE HOLDING COMPANIES, IRI
(HOLDING COMPANY FOR INDUSTRIAL SECTOR IN GENERAL), ENI
(HOLDING COMPANY IN GYDORCARBONS, CHEMICAL AND SYNTHETIC TEXTILE
SECTORS) AND EFIM (FINANCIAL HOLDING COMPANY FOR MANUFACTURING
SECTOR). THE DRAFT BILL WOULD PROVIDE A TOTAL OF 1,642 BILLION
LIRE (ABOUT \$1.9 BILLION): 950 BILLION FOR IRI, 522 BILLION FOR
ENI AND 170 BILLION FOR EFIM. TO THESE AMOUNTS CAN BE ADDED
101 BILLION LIRE ALREADY PROVIDED TO THESE ENDOWMENT FUNDS
EARLIER THIS YEAR: 50 BILLION TO IRI, 26 BILLION TO ENI AND
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25 BILLION TO EFIM. THUS, IF PARLIAMENT APPROVES AMOUNTS
IN THE DRAFT BILL, THE TOTAL AMOUNT PROVIDED IN 1978
297) \$ 1,743 BILLION LIRE (ABOUT \$2.0 BILLION)
--1,000 BILLION FOR IRI, 548 BILLION FOR ENI AND
195 BILLION FOR EFIM. THIS MONEY WOULD BE THE 1978 INSTALL-
MENT OF THE 4,500 BILLION LIRE OVER FIVE YEARS EARMARKED
IN ART. 29 OF LAW 675 OF 1977 FOR INCREASES IN THE STATE

ENTERPRISE ENDOWMENT FUND INCREASES TOTALLING 652 BILLION LIRE IN 1977 AND 211 BILLION IN 1976.

2. ACCORDING TO PRESS ACCOUNTS, REPORT ACCOMPANYING PROPOSED LEGISLATION SETS OUT THE INVESTMENT PROGRAMS PLANNED BY EACH OF THE HOLDING COMPANIES IN PRESUMED COMPLIANCE WITH ART. 12 OF LAW 675 WHICH ESTABLISHES THAT GRANTS OF ENDOWMENT FUNDS ARE FOR FINANCING NEW INVESTMENTS AS WELL AS THE EXPANSION, MODERNIZATION AND IMPROVEMENT OF EXISTING PLANT AND ANY INDIRECT COSTS; THEY ARE TO BE USED IN TIME PERIODS ESTABLISHED BY PROGRAMS. THIS LANGUAGE WAS INSERTED IN LAW 675, REPORTEDLY AT THE INSISTENCE OF PARTIES OF THE LEFT AFTER LENGTHY DEBATE, IN AN EFFORT TO KEEP THESE FUNDS FROM BEING USED SIMPLY TO COVER LOSSES AND REBUILD CAPITAL OF THE MORE NEEDY COMPANIES IN EACH GROUP. THUS THE REPORT LISTS TOTAL INVESTMENT PLANS FOR THE IRI GROUP OF 3,150 BILLION LIRE IN 1978, 1,650 BILLION LIRE FOR THE ENI GROUP INVESTMENTS AND 300 BILLION LIRE FOR ENFIM.

3. WHILE THE INVESTMENT FIGURES ARE BROKEN DOWN BY SECTORS (FOR EXAMPLE, 1,508 BILLION LIRE OF IRI'S 3,150 BILLION IS FOR THE STEEL SECTOR) THEY WERE NOT DETAILED FURTHER IN THE REPORT. THIS LACK OF CLARITY IS SAID TO REFLECT CONTINUING DISAGREEMENT ON HOW THE CAPITAL LIMITED OFFICIAL USE

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CONTRIBUTION FUNDS SHOULD BE USED. FURTHER UNCERTAINTIES ARISE FROM DELAYS IN PRODUCING THE LONG AWAITED INDUSTRIAL SECTOR PLANS.

4. COMMENT. WHILE THE GOI IS SEEKING TO IDENTIFY ITS CAPITAL CONTRIBUTIONS TO THE ENDOWMENT FUNDS WITH INVESTMENT PROGRAMS, IT SEEMS IS HAVING SOME DIFFICULTY BECAUSE OF A REPORTED LACK OF PROGRAMS OR PROGRAM DETAIL. ALTHOUGH DATA ARE NOT YET AVAILABLE EVEN FOR 1977 IT IS PROBABLY THAT IRI AND EFIM ARE CONTINUING TO EXPERIENCE OVERALL LOSSES, AS THEY DID IN 1976. WHEN IN 1977, IRI STAKED OUT ITS CLAIM FOR 2,380 BILLION LIRE OVER FOUR YEARS FOR ITS ENDOWMENT FUND IRI PRESIDENT PETRILLI TESTIFIED TO PARLIAMENT THAT THE SHORT TERM DEBT OF THE IRI COMPANIES WAS 5,200 BILLION LIRE AND RECAPITALIZATIONS REQUIRED BY LAW TOTALLED 670 BILLION LIRE. THE BILL NOW GOES TO PARLIAMENT WHICH MAY WELL SEEK SOME ADJUSTMENTS BUT THE OVERALL AMOUNT OF FUNDING IS NOT LIKELY TO BE ALTERED GREATLY. HOLMES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, STATE ENTERPRISES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ROME10648
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780241-1068
Format: TEL
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780681/aaaacrnh.tel
Line Count: 113
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a71f408f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 ROME 9971
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2436947
Secure: OPEN
Status: NATIVE
Subject: COMMENT ON RECENT INCREASE IN STATE ENTERPRISE ENDOWMENT
TAGS: EFIN, ETRD, EIND, IT, US
To: STATE USEEC MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/a71f408f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014